

## Case Study – Shareholder Protection

### BACKGROUND

A Cheshire-based family-run company with numerous locations. The company is owned by five members of the family and is currently worth about £3.5 million.

It was crucial to the family members that if one of them passed away, the company's shares would continue to belong to the family and current shareholders, and their relatives would receive the appropriate compensation.

### SOLUTION

Shareholder/cross option agreement.

A number of meetings were held with the client, accompanied by their Solicitor and Accountant to listen to their wishes and ensure the desired outcome was reached. This resulted in the following taking place to give the client the desired outcome.

On death, the shares will pass to the other directors as per each individual's Will and this was put in the Shareholders agreement (drafted by the Solicitor).

We then needed to ensure that the families of each Director were compensated on death. To facilitate this HWIFM set up 5 personal term assurance plans for each Director for the value of their shareholding – ranging from £300,000 to £600,000.

These were taken personally and written in trust so that should a shareholder pass away the trust would pay out to their family.

This achieved the objective of the shares passing as required on death and the families receiving a monetary value for the shares.

### NOTES

This would be appropriate for any business owner who has multiple owners who are not related.

Should the worst happen and a shareholder dies the remaining shareholders often don't realise they could then be in business with the late shareholder's relatives. In most instances this is not a desired outcome. A shareholder agreement can protect the client from this unwanted outcome.